

HEALTH CARE COSTS

MISSION STATEMENT

To develop and coordinate budgets, policies and procedures for the county's health care departments in accordance with the strategic goals adopted by the Board of Supervisors, the County Charter, and general laws.

DESCRIPTION OF MAJOR SERVICES

The role of the Health Care Services Division is to seek and support opportunities to foster collaboration among the Public Health Department, Department of Behavioral Health (DBH) and the Arrowhead Regional Medical Center (ARMC). The division provides regular fiscal and policy analysis relating to the operations of these departments. The division also reviews and analyzes all agenda items submitted for Board of Supervisors approval as well as all budget submittals and reports relating to San Bernardino County's health care programs. Additionally, this division manages the \$135.8 million Health Care Costs budget, which includes funding for ARMC debt service, health related maintenance of effort costs, and transfers required to obtain federal health care funding.

This budget unit represents the costs of health care related programs for the county general fund. Health care related transactions represented by this budget unit include the Disproportionate Share Hospital (DSH) Supplemental Payments Programs (SB 855, SB 1255, and Graduate Medical Education (GME)), Realignment "AB 8" match, and the county's contribution for ARMC debt service payments. Summary information regarding key components of this budget unit appears below.

Disproportionate Share Hospital Programs

The DSH programs were established to provide supplemental Medi-Cal payments to hospitals that provide services to disproportionate numbers of Medi-Cal and other low-income patients. These programs assist safety net hospitals in meeting the uncompensated costs associated with providing medical services to uninsured and underinsured patients. These programs are mechanisms for distributing federal health care funds. The programs require the county to transfer general fund dollars (shown in this budget unit as other charges) to the state. Through a matching process, the county receives back its initial contribution, which is recorded in this budget unit as current services revenue. In addition to the return of the initial contribution, the county receives federal health dollars which are accounted for in the ARMC budget. The level of the county's contribution is set during the year by the state. As a result, the amounts only represent estimates of the funds needed at the time the budget is prepared. In a similar fashion, the ARMC budget cannot fully reflect the amount of federal health dollars received via DSH programs until the county is notified of the matching amounts during the course of the fiscal year. The DSH program comprises two elements:

- The SB 855 program provides supplemental payments to hospitals that serve a disproportionate number of low-income individuals. Public entities are required to transfer funds to the State Department of Health Services by an intergovernmental transfer. These funds are matched with federal funds and redistributed as supplemental payments to all eligible hospitals including non-public hospitals. A hospital may receive DSH payments if its Medi-Cal utilization rate exceeds an established threshold or it uses a designated percentage of its revenues to provide health care to Medi-Cal and uninsured patients.
- The SB 1255 program supplements eligible hospitals that are licensed to provide emergency medical services and contract with the California Medical Assistance Commission (CMAC) to serve Medi-Cal patients under the Selective Provider Contracting Program. Intergovernmental transfers are also made. These funds are combined with matching federal funds and redistributed by CMAC as supplemental payments to hospitals demonstrating a need for additional funds. CMAC ultimately determines the amount received by each participating hospital.
- The GME program is part of the SB 1255 program and it provides supplemental payments to DSH hospitals that are also a teaching facility/institute. Payments are determined solely by CMAC and the amount can vary from year to year. Similar to other SB 1255 revenues, the amount actually received is determined by the state during the course of the fiscal year.



Realignment and General Fund Support

General fund support and realignment funds are used to pay for the ARMC debt service lease payments, Realignment “AB 8” match and administrative costs related to this budget unit. Note: Specific details regarding the financing sources, which are used to cover the county’s \$53.4 million annual debt service obligation for the ARMC facility, are provided in the ARMC Lease Payments (EMD JPL) section of the final budget.

To qualify for receipt of Health Realignment funding from the state, the county must contribute a “match” of local funds. The matching amount is based on a formula, established through AB 8 in 1979, through which the state provided funding to preserve critical health programs in the aftermath of Proposition 13. When the Realignment program was created in 1991, funding allocations were based on the historical AB 8 formula, and local match requirements remained. The county’s match requirement for 2004-05 is \$4.3 million; this amount remains constant each year per the historical formula. The Realignment match funded in the Health Care Costs budget meets the county’s full obligation to receive Health Realignment dollars, which support the Public Health Department and ARMC. For 2004-05, the county anticipates receipt of approximately \$56.7 million in Health Realignment funding. Important note: The local match requirement for receipt of Mental Health Realignment funding is reflected in the operating budget for the Department of Behavioral Health.

Realignment funds support this budget as follows:

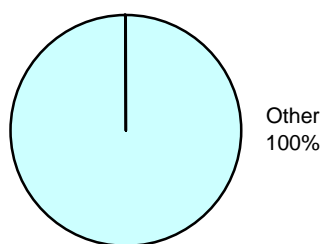
- Mental Health at 3% (which covers half of administrative costs).
- Health at 97% (which covers half of administrative costs plus debt service payments).

The amounts listed as “Operating Transfers Out” represent the county’s net debt service obligation for the payment of the ARMC facility (\$20.9 million) and the required Realignment “AB 8” match (\$4.3 million) which must by law be transferred into trust before Realignment monies can be directed toward health programs.

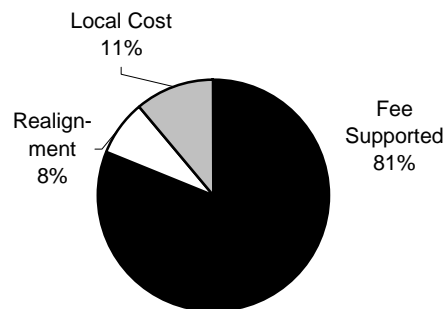
BUDGET AND WORKLOAD HISTORY

	Actual 2002-03	Budget 2003-04	Actual 2003-04	Final 2004-05
Total Requirements	118,341,508	135,628,083	135,996,594	135,812,669
Departmental Revenue	100,641,507	120,628,083	120,996,594	120,812,669
Local Cost	17,700,001	15,000,000	15,000,000	15,000,000
Budgeted Staffing		4.0		4.0

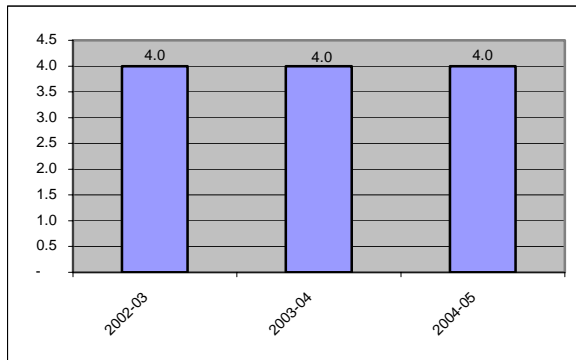
2004-05 BREAKDOWN BY EXPENDITURE AUTHORITY



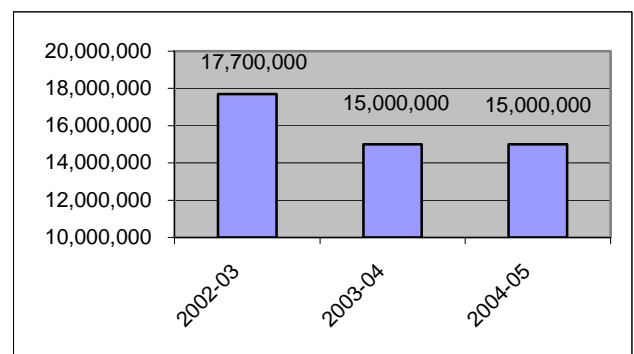
2004-05 BREAKDOWN BY FINANCING SOURCE



2004-05 STAFFING TREND CHART



2004-05 LOCAL COST TREND CHART



GROUP: Administrative/Executive
DEPARTMENT: Health Care Costs
FUND: General

BUDGET UNIT: AAA HCC
FUNCTION: Health and Sanitation
ACTIVITY: Hospital Care

	2003-04 Actuals	2003-04 Approved Budget	2004-05 Board Approved Base Budget	2004-05 Board Approved Changes to Base Budget	2004-05 Final Budget
Appropriation					
Salaries and Benefits	316,697	433,289	458,860	13,725	472,585
Services and Supplies	68,210	132,952	133,443	(48,141)	85,302
Central Computer	-	-	710	-	710
Other Charges	110,514,405	110,000,000	110,000,000	-	110,000,000
Transfers	106,500	71,060	71,060	16,860	87,920
Total Appropriation	111,005,812	110,637,301	110,664,073	(17,556)	110,646,517
Operating Transfers Out	24,990,782	24,990,782	24,990,782	175,370	25,166,152
Total Requirements	135,996,594	135,628,083	135,654,855	157,814	135,812,669
Departmental Revenue					
Realignment	10,482,189	10,628,083	10,654,855	157,814	10,812,669
Current Services	110,514,405	110,000,000	110,000,000	-	110,000,000
Total Revenue	120,996,594	120,628,083	120,654,855	157,814	120,812,669
Local Cost	15,000,000	15,000,000	15,000,000	-	15,000,000
Budgeted Staffing		4.0	4.0	-	4.0

Variances existed in salaries and benefits due to unexpected vacancies and in services and supplies due to lower than anticipated expenses for providing Health Insurance Portability and Accountability Act (HIPAA) training to county employees. Increased 2003-04 transfers are due to the use of HSS support services for operational studies of the Behavioral Health and Public Health Departments.

DEPARTMENT: Health Care Costs
FUND: General
BUDGET UNIT: AAA HCC

SCHEDULE A

MAJOR CHANGES TO THE BUDGET

	Budgeted Staffing	Appropriation	Departmental Revenue	Local Cost
2003-04 FINAL BUDGET	4.0	135,628,083	120,628,083	15,000,000
Cost to Maintain Current Program Services				
Salaries and Benefits Adjustments	-	25,571	25,571	-
Internal Service Fund Adjustments	-	1,201	1,201	-
Prop 172	-	-	-	-
Other Required Adjustments	-	-	-	-
Subtotal	-	26,772	26,772	-
Board Approved Adjustments During 2003-04				
30% Spend Down Plan	-	-	-	-
Mid-Year Board Items	-	-	-	-
Subtotal	-	-	-	-
Impacts Due to State Budget Cuts	-	-	-	-
TOTAL BOARD APPROVED BASE BUDGET	4.0	135,654,855	120,654,855	15,000,000
Board Approved Changes to Base Budget	-	157,814	157,814	-
TOTAL 2004-05 FINAL BUDGET	4.0	135,812,669	120,812,669	15,000,000



SCHEDULE B

DEPARTMENT: Health Care Costs
 FUND: General
 BUDGET UNIT: AAA HCC

BOARD APPROVED CHANGES TO BASE BUDGET

Brief Description of Board Approved Changes	Budgeted Staffing	Appropriation	Departmental Revenue	Local Cost
1. Increase in Salaries and Benefits. Increase is due to step advances.	-	13,725	-	13,725
2. Decrease in Services and Supplies Services and supplies were decreased to reflect a reduction in HIPAA compliance costs.	-	(48,141)	-	(48,141)
3. Increase in Transfers due to MOU increases. Increase in Transfers out to the County Administrative Office and Human Services System for Budget and Administrative Support.	-	16,860	-	16,860
4. Increase in Operating Transfers Out. This increase is related to an increase in Arrowhead Regional Medical Center's debt service payments.	-	175,370	-	175,370
5. Realignment Increased realignment to fund the above costs.	-	-	157,814	(157,814)
Total	-	157,814	157,814	-

